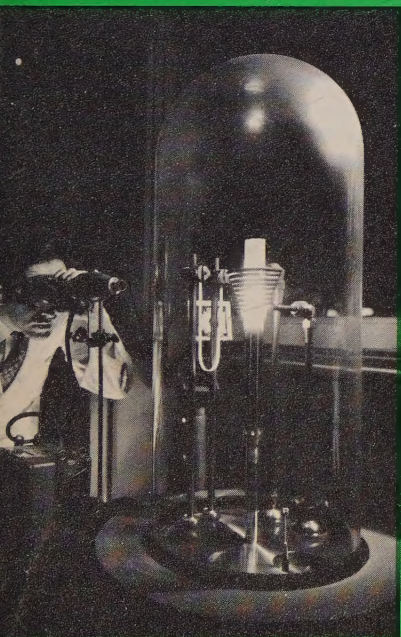


March 15, 1961

# Investor's Reader

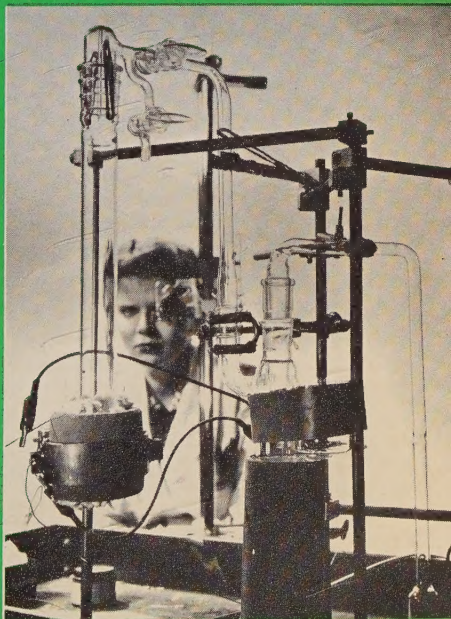
*For a better understanding of business news*



WESTINGHOUSE

**PHYSICISTS IN INDUSTRY  
STUDY PURE METALS**  
(see page 16)

RCA



## EMERALD WHISKY

Faith, it's St Paddy's Day this week and the gay colleen lifts her mug of Irish coffee to toast the day. According to the Whisky Distillers of Ireland this brew tastes best when carefully concocted. It is made by mixing one jigger of Irish whisky in a mug of hot & strong black coffee. Add sugar to taste and stir well. Top with lightly whipped cream. Important: do not stir after adding cream. The unique flavor of Irish coffee comes from sipping the hot coffee and Irish whisky through the cool cream.

This particular mugful is mixed with Gilbey's Crock o' Gold which Hartford distiller Heublein Inc began to import two years ago. Best selling Irish whiskies (which, the Distillers take pains and paid ads to stress, are also tasty with mixes other than coffee as well as straight) are Old Bushmills, handled by Quality Importers Inc, and John Jameson, brought in by Hiram Walker. These two brands account for an esti-

estimated 70% of US consumption. The rest, besides Crock o' Gold, includes Power's (Canada Dry), Murphy's and Paddy (both Austin, Nichols), Original Irish (American Distilling) and Tullamore Dew (Munson G Shaw).

A century ago Irish whisky outsold Scotch 25-to-1 in the US market. In fact the Irish whisky distillers who still use the old fashioned "pot stilling" (drop by drop) method claim they taught the Scotchmen how to make Scotch. But the modern, lighter Scotch fast outpaced other imports and today's Irish whisky imports (an estimated 65,000 cases last year) are but a wee drop compared to 7,000,000 cases of Scotch.

In the last two years, however, imports of Irish whisky (also lighter now) have gained 60%. Big boost has come from the Irish Export Board's series of clever off-beat ads appearing mostly in the urbane New Yorker and the Reporter. Prepared by San Francisco agency Weiner & Gossage, the campaign has been so successful the Export Board has OKayed a three-page ad for the St Patrick's Day issue of Time.





INDEX	PAGE
American Smelting & Refining . . . . .	16
American Brake Shoe spread-out . . .	6
Champion Paper titleholder . . . . .	21
Colgate Palmolive earns abroad . . .	10
Dividend indifference . . . . .	6
High-purity metals . . . . .	16
Lukens Steel special plates . . . . .	13
Municipal bond ascent . . . . .	12
Owens-Corning Fiberglas . . . . .	9
Stock splits—latest roster . . . . .	1
Textile statement . . . . .	5

# Investor's Reader

No 6, Vol 36

March 15, 1961

## Stock Splits Begin to Accelerate

**Rate Dropped in 1960  
But More are Proposed  
As Market Prices Climb**

WITH Stock Exchange volume so far this year averaging an unprecedented 4,500,000 shares daily, the Dow-Jones industrials up 17% from last Fall's low and many broader-based yardsticks like the Standard & Poor's and Merrill Lynch indices at new alltime highs, Wall Streeters and stockholders throughout the land find occasion for a favorite pastime—watching the stock splits tick by or, better yet, trying to anticipate the splits to come. The buoyant market has carried many individual stocks to high price levels which make them logical split candidates. A strictly unofficial list of some popular nominees is found on page 4.

Just in the first two months of this year, 28 companies listed on the NYSE have split or announced intentions of doing so—including

some like American Natural Gas, Corn Products and Heinz which were announced last year but will be effected in 1961. This compares with 63 in all of 1960 and the record 94 of 1959. A tabulation of companies on the split calendar since last September is given on pages 2 & 3. In addition to the Big Boarders, it includes most Amex and a substantial sampling of over-the-counter splitters.

However, the generally lower-priced Amex issues are fissioning at a much slower rate. Only Kawecki Chemical, Seton Leather and Technical Materiel have proposed splits in 1961. Last year 15 Amex-traded companies split, down from the record 33 in 1959. All told, statisticians Standard & Poor's calculate 238 splits were approved last year, down from the high of 320 in 1959 but well above the 1958 recession-hurt total of 63.

The table includes only splits of

2-for-1 or better or stock dividends of at least 100%—which are of course identical to splits except for some accounting and legal technicalities. But as usual there was also an abundance of smaller splits and stock dividends. For example Har-

ris-Intertype split 3-for-2 last September, Richardson-Merrell 4-for-3 in November. On April 25, stockholders of IBM and McCall will both meet to approve 3-for-2 fissions.

Many companies also augment cash payments with small stock di-

## SOME RECENT STOCK SPLITS . . .

COMPANY	THE SPLIT	APPROX DATE	WHERE LISTED	MAIN BUSINESS
Acadia-Atl Sugar Refs	3-1	Apr 27	Montreal	From Maritimes to Prairies
AMP Inc	3-1	Vote Apr 27	Big Board	Elec terminals, connectors
Amalgamated Sugar	3-1	Feb 14	Big Board	No 4 beet sug producer
American Distilling	2-1	Sept 20	Big Board	35% blends, 31% bourbon
American Greetings	2-1	Sept 10	Over-Counter	Cards & gift wrappings
American Machine & Fdry	2-1	Vote Apr 18	Big Board	Bowling & diversity
American Natural Gas	2½-1	Vote Apr 26	Big Board	Distributor in Mich, Wis
American Photocopy Equip	3-1	Vote Apr 11	Big Board	Office copying equip
American Ship Bldg	5-1	Nov 2	Big Board	Grt Lakes ship blder
Atlas Powder	4-1	Vote Apr 25	Big Board	Heavy chems, explosives
Automatic Retailers of Am	2-1	Jan 17	Over-Counter	Vending mach operator
Bastian-Blessing	4-1	Vote Apr 7	Midwest	Soda fountain equip
Beech Aircraft	3-1	Nov 23	Big Board	Light planes
Boots Pure Drug	2-1	Dec 15	Over-Counter	British drug chain
Bowmar Instrument	2-1	Jan 10	Over-Counter	Aircraft & missile equip
Brach (EJ) & Sons	6-1	Dec 12	Midwest	Candy
Brunswick Corp	2-1	Dec 22	Big Board	Bowling, school equip
C-E-I-R Inc	2-1	Prop Feb 16	Over-Counter	Data analysis
Central Louisiana Elec	2-1	Oct 12	Over-Counter	Serves 30 parishes
Christiana Securities	80-1	Vote Mar 10	Over-Counter	Owms 27% of duPont stk
Chock Full O'Nuts	4-1	Dec 1	Big Board	Coffee mfr, NY snackshops
Commercial Credit	2-1	Vote Mar 30	Big Board	Instalment loans
Commercial Trust of NJ	2½-1	Feb 1	Over-Counter	No 3 in Jersey City
Connecticut General Life	2-1	Mar 31	Over-Counter	\$2 billion assets
Corn Products	2-1	Vote Apr 25	Big Board	Mazola, other foods, oils
Dayton Power & Light	3-1	Vote Apr 13	Big Board	Ohio utility
Dun & Bradstreet	2-1	Dec 15	Over-Counter	Credit reporters
Dynacolor Corp	3-1	Oct 5	Over-Counter	Kodachrome film proc
Federated Dept Stores	2-1	Sept 30	Big Board	No 1 chain
First Nat Bank of Jersey City	2½-1	Jan 24	Over-Counter	No 1 in Jersey City
Florida Nat Bank	2-1	Sept 13	Over-Counter	No 2 in Jacksonville
Gerber Products	2-1	Vote Apr 14	Big Board	No 1 in baby foods
Great Lakes Paper	3-1	Vote Apr	Toronto	Newsprint & pulp for US
Haveg Industries	2½-1	Vote Apr 26	Big Board	Reinforced plastics
Hawaiian Telephone	2-1	Vote Mar 22	Honolulu	All parts of 50th State
Heinz (HJ)	3-1	Feb 20	Big Board	More than 57 varieties
Hewlett-Packard	3-1	Sept 15	Over-Counter	Electronic measurers
Holophane Co	2-1	Jan 4	Amex	Street, store lighting
Hot Shoppes	2-1	Dec 22	Over-Counter	Restaurants, motels
Hubinger Co	2-1	Vote Mar 28	Over-Counter	Corn processor
Hudson County Nat Bk	2½-1	Nov 15	Over-Counter	No 2 in Jersey City
International Silver	3-1	Vote Apr 26	Big Board	No 1 silversmith



vidends. Thus last month American Stores issued 5% in stock for the eighth consecutive year. Others with regular stock disbursements include Cerro Corp 6%, Diamond Alkali 3%, Eastern Air Lines 2%, Monsanto Chemical 2%. At times companies

feeling the need to conserve cash will stop regular cash dividends altogether and issue stock instead: Construction Products (Amex) last month paid 2% stock in place of the regular 6¢ quarterly dividend.

One extra twist is to pay preferred

## ... THE BIG BOARD, AMEX AND ELSEWHERE

COMPANY	SPLIT	APPROX DATE	WHERE LISTED	MAIN BUSINESS
International Paper	3-1	Dec 30	Big Board	No 1 paper maker
Johnson Service	2-1	Vote Apr 5	Over-Counter	Temp control systems
Kawecki Chemical	2-1	Vote Apr 28	Amex	Chems; rare metals
Kerr-McGee Oil	2-1	Vote Apr 27	Big Board	Oil & uranium
King-Seeley Thermos	2-1	Dec 9	Big Board	Auto prts, vacuum ware
Lehn & Fink	3-1	Vote Apr 20	Big Board	Cosmetics, drugs
Lincoln Nat Life	2-1	Apr 1	Over-Counter	Ord life, re-insurance
Lone Star Gas	2-1	Feb 21	Big Board	Nat gas in Tex, Okla
Loral Electronics	3-1	Nov 28	Amex	Military electronics
Marshall Field	2-1	Vote May 3	Big Board	Chicago emporium
Martin Co	2-1	Feb 14	Big Board	Missiles, electronics
McGraw-Hill Publishing	3-1	Mar 20	Big Board	<i>Business Week</i> , biz pubs
Means (FW)	5-1	Jan 11	Midwest	Towel service
Mergenthaler Linotype	4-1	Mar 30	Big Board	Typesetting machines
Munsingwear Inc	2-1	Sept 21	Big Board	Under & sportswear
Nat Bk of Commerce	2-1	Jan 16	Over-Counter	No 3 in Houston, 75 in US
Nat City Bank	2-1	Feb 17	Over-Counter	No 2 in Cleveland, 34 in US
Northern Trust	5-1	Sept 15	Over-Counter	No 4 in Chicago
Northern Ind Pub Serv	2-1	Vote Apr 12	Midwest	Hammond, Mich City
Pacific Indemnity	3-1	Oct 26	Over-Counter	LA-based underwriter
Petrolite Corp	5-1	Vote Apr 17	Over-Counter	Chemical cmpds & wax
Pfaudler-Permutit	2-1	Vote Apr 19	Big Board	Corrosion resistant equip
Philadelphia Electric	2-1	Vote Apr 12	Big Board	Brotherly Love environs
Procter & Gamble	2-1	Vote Mar 14	Big Board	Chief US soapster
Ranco Inc	2-1	Feb 20	Big Board	Appliance & auto controls
Revlon Inc	2-1	Vote Apr 19	Big Board	Cosmetics, toiletries
Richfield Oil	2-1	Vote Apr 20	Big Board	Mainly on West Coast
Rorer (William H)	4-1	Vote Apr 11	Over-Counter	Ethical drugs
Sanders Associates	2-1	Oct 19	Over-Counter	Electronic systems
Schjeldahl (GT)	2-1	Nov 15	Over-Counter	Plastic domes
Seton Leather	5-1	Vote Mar 21	Amex	Patent leather, specialties
Sierra Pacific Power	2-1	Vote Mar 27	Over-Counter	Parts of Nev & Calif
Signode Steel Strapping	2-1	Sept 1	Big Board	Steel bands & seals
Suburban Gas	2-1	Vote Mar 7	Big Board	LP-gas in West
Talcott (James)	2-1	Vote Apr 5	Big Board	Finance & factoring
Technical Materiel	2-1	Vote Apr 3	Amex	Radio commun equip
Texas Eastern Trans	2-1	Vote Apr 24	Over-Counter	Major pipeline
United Utilities	2-1	Vote Apr 4	Over-Counter	Phone, LP-gas holdg co
Universal Leaf Tobacco	2-1	Nov 9	Big Board	Chiefly for cigarets
Van Camp Sea Food	2-1	Mar 10	Over-Counter	Canned fish; oils, vitamins
Wallace & Tiernan	2-1	Dec 19	Big Board	Chemicals, drugs
Winn-Dixie Stores	2-1	Oct 31	Big Board	Top Southern food chain

stock on the common shares. Early last year Schenley Industries began making quarterly disbursements of eight shares of 50¢ convertible preferred for each 100 common in addition to the 25¢ cash handout. Foremost Dairies for its last two quarterly payments has dropped its

## SOME POSSIBLE STOCK SPLITS

All lack official confirmation

Aldens Inc  
 American Home Products  
 American Hospital Supply  
 Associated Dry Goods  
 Avon Products  
  
 Bank of New York  
 Baxter Laboratories  
 Beauty Counselors  
 Beckman Instruments  
 CIT Financial  
  
 Campbell Soup  
 Canadian General Electric  
 Columbus & Southern Ohio Electric  
 Consolidated Edison  
 Corning Glass Works  
  
 Fairchild Camera & Instrument  
 Florida Power & Light  
 General Precision Equipment  
 Georgia-Pacific Corp  
 Gillette Company  
  
 Goodyear T & R of Canada  
 Heller (Walter E)  
 Hershey Chocolate  
 Industrial Acceptance (Canada)  
 Ingersoll-Rand Company  
  
 Interstate Department Stores  
 Kansas City Life  
 Litton Industries  
 Mead Johnson  
 Minneapolis-Honeywell Regulator  
  
 Otis Elevator  
 Pacific Gas & Electric  
 Plough Inc  
 Reynolds (RJ)  
 Richardson-Merrell  
  
 Scott Paper  
 Searle (GD)  
 Texaco Inc  
 Texas Instruments  
 Texas Utilities  
 Time Inc

25¢ quarterly cash disbursement and instead issued one \$2.25 preferred share for each 200 common.

Stock dividends and splits add nothing to the basic value of any holding—investors get simply two shares for every one in a 2-for-1 split; the stock price and earnings power are also cut in half and the holder's percentage of ownership in the company remains the same. But there is no question investors love them. In fact many seem to approve even the small stock dividends which replace cash. Inland Credit Corp took a poll in December and an overwhelming 88% of replying shareowners voted for stock rather than a cash handout. Inland Credit will comply with 2½% on the Class A & B shares in April.

In the case of full-fledged splits there are a number of practical as well as psychological reasons for their popularity. For thinly traded issues with small capitalization the additional shares can result in a more stable market with fewer violent price fluctuations. Also stock fissions tend to put the shares in a popular price range. But even after Christiana Securities splits 80-for-1 the stock will still be close to 200. And based on the current level of IBM, the 3-for-2 split will leave the stock above 400.

But most important, splits generally mean things are going well with the company. And in the majority of cases, this well-being is reflected concretely by a hike in dividends. Among the companies which have recently followed this agreeable pattern are Kerr-McGee O



which last month upped its quarterly dividend a dime to 40¢ and proposed a 2-for-1 split and Lone Star Gas which this month will pay 25¢ on the new shares *v* an adjusted 22½¢. Also Procter & Gamble will increase its effective rate to 40¢ from 35¢ as will Ranco.

Small stock dividends, if the company maintains its same cash rate on the increased shares, provide similar boosts in stockholder "take-home pay."

Meantime the fact the economy is not booming, even though most stock prices are, also leads to some hesitation by potential splitters. American Hospital Supply chairman Foster Glendale McGaw said early last month: "We discussed a stock split at the last board meeting but we decided it would be premature. We don't want to commit ourselves until we see what the profit picture is like in the first quarter." With earnings in 1960 up 4¢ to \$1.60 a share for the seventh consecutive rise and the future outlook rather good, American Hospital Supply is considered a likely splitter by most Wall Streeters.

But for a number of other companies, recession impacts will probably postpone split considerations for some time. This is especially true for some of the big steelmakers, as well as some higher-priced chemical and building materials stocks. Special circumstances may also dictate postponement. Thus neither duPont nor Brown Shoe is apt to take any split decision until their antitrust cases (both now before the Supreme Court) are settled.

## TEXTILES

### Industry Future

**I**N THE lead article on textiles in the February 15 issue, *INVESTOR'S READER* inadvertently quoted John M Cheatham, president of the American Cotton Manufacturers Institute, out of context. He was reported as telling the Association of Cotton Textile Merchants: "There's no point in being here to discuss ways of improving textile affairs because sooner or later most of us will be out of business." However this statement in the speech was preceded by the qualifying phrase, "If the import problem is not solved \* \* \*." This unfortunately was omitted in the IR text and we apologize for any resulting misinterpretation to Mr Cheatham and the American cotton industry which "looks to its future with anything but gloom."

In his speeches as a leading industry spokesman Mr Cheatham has frequently stressed that textile imports, which have doubled in the past year, loom as the greatest single industry concern.

But, as the IR story reported, he has also underscored the technological, research styling, product and marketing advances made by the textile industry while urging redoubled emphasis on modernization and production efficiency plus efforts to solve the rising flood of textile imports from low-wage nations.

In viewing the textile future, IR also typographically underrated industry prospects by listing estimated US fiber consumption for 1970 at 7.4 million pounds. It should have been billions.

## **BUSINESS AT WORK**

### **WALL STREET Positive Phrasing**

**L**IKE certain generals who reported a triumphant "advance to the rear," writers of corporate dispatches at times hunt for happier euphemisms when beset by setbacks. An outstanding example: "In 1960 we managed to increase our tax loss carry-forward by \$4,200,000."

In this particular instance the author, head of a Southern utility, spoke strictly tongue-in-cheek to some knowing security analysts. But all too often the rear-advancers speak in dead and deceptive earnest, leaving it to the investor to investigate and decipher carefully.

### **Delinquent Dowry**

**D**ESPITE the avowed stockholder interest in dividends there are some stockholders who either couldn't care less or else are just plain careless. Consequently, under the Abandoned Property Law of 1947, Merrill Lynch this week had to turn over to the New York State Tax Commission the tidy sum of \$89,830.

It represents the amount of unclaimed dividends for the year 1955 on stock which the owner asked to have registered in Merrill Lynch's "street name" though he took personal possession of the physical certificate. When stock is left in Merrill Lynch's vaults for the stockholder's account there is of course no such problem.

The amount forfeited to the state has varied over the years but the

current payment is by far the largest in Merrill Lynch history. The previous peak was \$66,565 which represented the unclaimed dividend for an 18-month period in 1946-47 and was turned over to the state in 1953. Last year Merrill Lynch paid out \$56,880 in unclaimed dividend for 1954; the year before they totaled \$37,100.

Most of the missing owners are either very large or estate accounts which prefer to operate in some secrecy, therefore register their stock in street name rather than their own. Since the dividend-paying corporations make out their checks to whatever name is on the certificate, the cash goes automatically to Merrill Lynch with no further identification. Therefore unless the stockholder claims his dividend Merrill Lynch has no way of knowing to whom it is due. And New York State proceeds to get a nice windfall each year.

### **MANUFACTURING Brake Shoe Brief**

**I**N ITS annual report out this week, the \$124,000,000-assets American Brake Shoe Company, like many US corporation, tells its stockholders 1960 was not a particularly good year. The 59-year-old heavy equipment manufacturer has earned profit and paid a dividend every year in its history. But in 1960 shipments were off 2% to \$164,600,000 and profits eroded 26% to \$5,700,000 or \$3.48 a share from \$4.72.

This was better than deeply re-



cessed 1958 when earnings dropped to \$2.97 on \$138,000,000 volume but represents a further decline from the balmy 1956 record of \$6.64 netted on \$186,000,000. However the 60¢ quarterly dividend in effect the past three years has been maintained and is judged "secure at present business levels."

Principal reason for last year's slump: a combination of higher costs. Leading the list of unusual expenses was strikes. Brake Shoe had ten during the year and one—a dispute over work rules in its Chicago Manganeese Steel division—lasted nine months. In all, these disputes cost over a million man-hours. All have been settled and vice president & treasurer Thomas W Russell Jr says: "We are not looking for any serious labor trouble this year." Besides increases in wages and substantial improvements in employe benefit plans, other unusual expenses included moving the Kellogg airborne hydraulic products division from Rochester, NY to Oxnard, Cal and start-up costs of a plant at Vierzon, France and other European installations.

Although some of these costs are non-recurring, Brake Shoe's woes do not end with this report. Its most basic problem, reduced orders, still plagues the company. Business this first quarter of 1961 is not good according to 44-year-old "Tuck" Russell. Furthermore, he finds it difficult to predict an upturn. Manufacturing backlog at the end of February was about \$30,000,000 compared to \$40,000,000 a year ago and while February showed "a very slight increase," outlook for the

year is regarded uncertain at best. Treasurer Russell notes: "The way things look now we may do well this year to match 1960 earnings."

American Brake Shoe's present difficulties are partially explained by the fact order declines have hit all its big operations. The company is traditionally though reluctantly classed as a manufacturer of rail supplies—brake shoes, track accessories, wheels and bearings. Though it has diversified widely over a four-decade span, most of its non-rail customers are also in cyclical heavy industries.

#### **Transition at Brake Shoe**

Rail products still accounted for 38% of sales in 1960 (off from 51% in 1950). Its other sales—bearings, castings, brake linings, forgings, hydraulic equipment and the like—went to customers in construction and mining (20%), autos and farm machinery (14%), machinery (12%), steel and primary metals (5%), aerospace (5%), oil, chemicals and others the remainder. Tuck Russell stresses management is not satisfied with the present product and customer line-up, is proposing an even wider spread.

Consequently, news from ABK (Big Board symbol) in the future is likely to emphasize changes in the company's make-up. For instance "possibly within a year" American Brake Shoe will adopt a new name. "The decision has been made and the new name selected," says treasurer Russell, "though the choice is subject to revision. The new name will be designed to clarify the fact we are not principally a rail equip-

per though it will still be meaningful to the railroads."

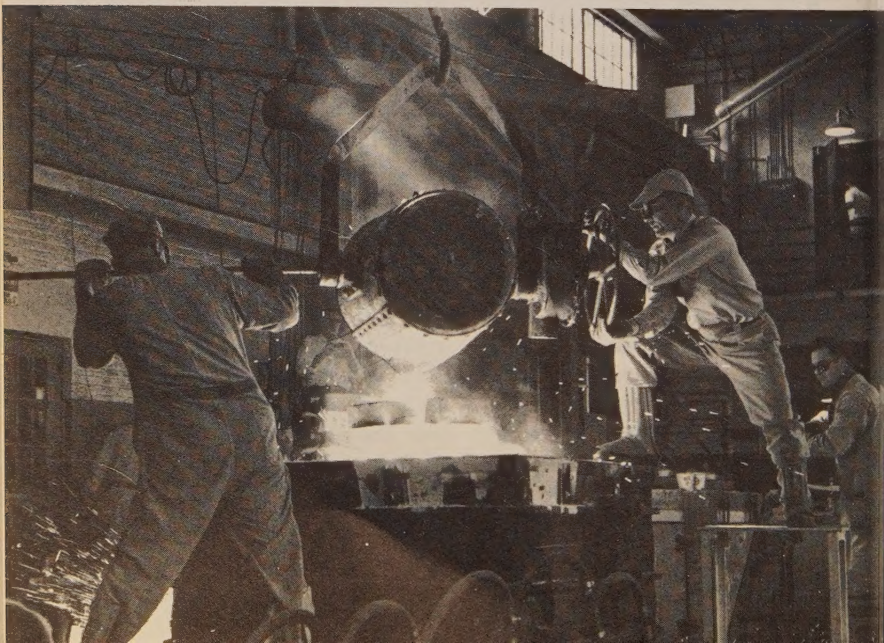
In addition, ABK is hard at work moving into what it regards a prime growth field, instruments & controls. This market was selected after two years of conferring with consultant Arthur D Little Company. Explains Tuck Russell: "We plan to develop this both internally through research and externally through acquisition." Brake Shoe made its first step in the instruments field last December with the purchase of Dynisco Inc of Cambridge, Mass. It makes electromechanical transducers and other sensitive measuring devices. Three more possible acquisitions are currently being studied and one involving a "smaller" company has reached the "serious negotiation stage."

Although a tie-in with ABK's present product lines was reportedly only a marginal factor in weighing

new growth prospects, Brake Shoe has been in the industrial controls business since its acquisition of hydraulics specialist Denison Engineering of Columbus, Ohio in 1955. Denison has more than doubled sales of its pumps, presses, valves and controls since then, is regarded as a top growth prospect among existing divisions.

Other growth candidates include the Kellogg division and little, 1959 acquired Raymond Atchley Inc of Los Angeles, a producer of servo system components for missiles and industrial automation controls. According to its treasurer ABK is also hopeful about business abroad again with stress on hydraulics. Besides the Vierzon plant which was acquired last year, Brake Shoe expanded its two-year-old European activities with purchase of Paris-based Necto SA which is France's

#### ***High-strength steel for missile casting***





No 2 maker of auto brake linings.

In summary Tuck Russell remarks: "Looking beyond our present business, our outlook is more optimistic. We confidently expect to hold our own in traditional fields, expand hydraulics and find a solution to getting into the instruments & controls business without giving away the stockholders' money."

Some 16,000 holders watch ABK stock, which currently trades around 44, near the middle of its 51-35 range for 1960-61. This is off from its 1959 peak of 58 and postwar high of 64 in 1946.

## **BUILDING SUPPLIES**

### **Owens-Corning Confab**

**P**RESIDENT Harold Boeschenstein of Owens-Corning Fiberglas paid a visit to the New York Society of Security Analysts a fortnight ago and stated: "Our business at this time is somewhat lackluster. We're not quite happy with the current performance."

While the nation's chief fiberglass maker set a new sales record of \$218,000,000, this was only 3% above 1959 and disappointing in the light of earlier predictions. More disappointing, profits were off 10% to \$14,600,000 or \$2.19 a share. And the downward trend has continued in January and February.

Harold Boeschenstein expects first quarter sales to be "modestly below" the \$51,200,000 sales of a year ago. "These lower sales should also be reflected in reduced first quarter profits." But he looks for "a reversal of this downward trend by mid-year."

One encouraging factor is the company has commitments from twice as many home builders for Fiberglas building products than at this time a year ago. Even though in 1960 housing starts were off 18% from 1959, Owens-Corning's building products sales grew "considerably." Thus Harold Boeschenstein feels the construction business this year "is going to be good for Owens-Corning."

While 64-year-old Boeschenstein admits "overexpectancy for 1960 sales and earnings led to current disappointments," he feels "on balance 1960 was a year of progress for Owens-Corning." He particularly noted new and improved processes, products and methods for making Fiberglas fibers and yarns; the establishment of the Owens-Corning Technical Center for research, testing, process & product development, and substantial completion of the capital improvement program. This includes a new Fiberglas textile products plant at Aiken, SC; new facilities and major conversion to improved processes at all nine plants; relocation and centralization of research & product development; additional insulation and acoustical product distribution centers. In all, capital improvements last year totaled \$42,000,000. Harry Boeschenstein notes, "with completion of the major part of the expansion program expenditures for 1961 are scheduled to run between \$12- and \$15,000,000."

Last year's record expenditures bring the company's capacity to \$300,000,000 a year of Fiberglas

products at current prices. The company's largest market is the commercial and industrial construction field. Its second biggest mart is home building products and third, sales to manufacturers.

Last year the biggest Owens-Corning gains were in textile yarns and decorative fabrics which increased 38% despite the business slowdown. President Boeschstein comments: "The trend upward is continuing." Another expected upturn is in the boat business. Trim-looking Harold Boeschstein notes: "After falling considerably last year with over-ordering of materials and over-optimism by builders, the boat business is due to come back." He says this year half the boats under 40 feet will be made with plastic reinforced fibrous glass.

#### **For Furniture & Autos**

But headman Boeschstein is not concentrating all his hopes for increased sales on boats and fabrics. The company has diversified fiber sales into new marts like furniture and autos. Another area of increased fiberglass use is screening. Harold Boeschstein notes: "Our Fiberglas screening now carries a ten-year guarantee which gives us a better competitive position with makers of aluminum screening."

Fiberglass is also finding growing use in indoor paneling, aircraft parts where light weight and high strength are important and filters for air pollution systems. President Boeschstein sums up: "We in Fiberglas look forward to a highly competitive decade but one of great opportunity for our versatile materials and products."

## **SOAPS**

### **Colgate-Palmolive Lathers Up For the Future**

**W**ORLD yearning for cleanliness is reflected among other things by the continued rise in foreign sales (up 8% last year despite Cuba) of the Colgate-Palmolive Company. However the combined impact of recession and a shift in inventory methods and other corporate procedures lowered the company's domestic volume by about 3%. Added together, this left Colgate's worldwide sales at \$576,300,000, a fraction of a percent below the 1959 peak, while earnings dropped to \$21,200,000 or \$2.53 from the record \$3.11 registered in 1959.

Recently elected president (last April) & chief executive officer (July) George H Lesch warns profits are expected to stay on the same level for the next few years since "we're embarking on a major five-year expansion plan which is going to require a great deal of money." Profits will be plowed back to "build a solid base for real growth." The program will take three directions: acquisition of companies, preferably for cash; acquisition of products and a "crash program" to produce new products from within the company.

While the 155-year-old company has long been a leading manufacturer of soaps, detergents and toiletry articles, it entered the drug field only last year when it acquired proprietary producer S M Edison (chiefly Dermassage and other hos-



ital specialty products) in January and ethical specialist Lakeside Laboratories a month later. Lakeside, with some drugs used for heart conditions, mental depression, anemia, asthma and gastrointestinal disorders, "was bought for its excellent research staff more than for its products." Drug products should be "a natural" for Colgate-Palmolive's 2,000 salesmen who sell to 10,000 drug stores throughout the country.

At the same time Colgate is fully alert to the changing marketing pattern for its principal products. By now an estimated 70% of toiletry purchases (especially such Colgate standbys as toothpaste and soap) are made in supermarkets as of course are nearly all sales of detergents and like household products.

Colgate readily admits it is always on the lookout for other companies which fit into "our general area" though no acquisition offers are being seriously considered at present. The company is also out to promote direct acquisition of products or the units which make them. At the beginning of this year it purchased the Consumer Products Division of Unexcelled Chemical for its leading product, Wash 'N Dri pre-moistened towelettes. A Colgate spokesman "sees a great future for Wash 'N Dri through expansion of its outlets to include restaurants, golf clubs and other institutions as well as adaptation of its principle to such products as nail polish removers or even hair lotion applicators."

To achieve its "crash program"

of new products developed from within the company, financial vp Hugh Jewett reports: "We will probably spend about a million more for R&D this year than the \$6,500,000 expended in 1960." A new research center near New Brunswick, NJ is to be ready early next year.

While R&D funds in the past were used mainly for improvement of existing products, research efforts will now be directed toward development of new products so the \$375,000,000-assets company can improve its competitive position in the domestic market. A new soap product is expected shortly and researchers are currently studying the possibilities of a "unitized" detergent—a box of individually packaged, pre-measured units which dissolve package & all in the washing machine (Lestoil Products Inc's Lestare has such a package for bleach). They are also working on a liquid detergent in the "heavy duty field."

### **Colgate Cuts Costs**

Colgate-Palmolive is also conducting a cost-cutting program which should shave \$1-to-2,000,000 from expenses this year. In the first half of last year it instituted a new dealer inventory program although this involved a loss of \$5-to-6,000,000 in sales during the changeover. The new system provides for continuous replacement of inventories in response to consumer demand rather than bunching up of orders at the end of each quarter. It should eliminate "overstuffed warehouses" and the need for salesmen's discounts to dealers at the end of each quarter while permitting



**Colgate packaging automation**

steadier manufacturing as well as more continuous retail selling.

The big soapmaker spent \$15,000,000 for expansion last year, much of it overseas to build detergent plants in South Africa and Australia and to get its new Italian and German plants on stream. Colgate presently has 42 overseas subsidiaries, markets in 135 countries and plans new plants in Malaya, Thailand and Central America.

While foreign sales have eclipsed domestic volume since 1959, Colgate is counting on its new expansion program to "make domestic growth as dynamic as our rate of foreign growth." Total capital expenditures in 1961 are budgeted at about \$25,000,000. Hugh Jewett says financing of the program "will be with inside money so far as we can foresee today." Colgate's strong balance

sheet showed \$64,000,000 in cash & equivalent at last report.

Thus there should be no dilution for the 8,200,000 Colgate-Palmolive common shares which currently trade around 35 on the Big Board (symbol: CL), down from the 1959 peak of 44. CL shares sell for only 13 times 1960 earnings compared to a price-earnings ratio of about 30 for Procter & Gamble—which in the past has been more aggressive in widening its product scope and expanding sales and earnings. Now the Colgate team, which has a stronger position abroad, is trying to catch up on an overall basis.

While first quarter 1961 sales "are running better than last year at this time," vp Jewett states, "we don't expect any dramatic change in sales this year but in five or six years we expect to do about a billion in volume." President Lesch fills in: "I expect to see sales grow substantially in 1962 and 1963. This program should produce accelerated profit for the company by 1963."

## **MUNICIPALS** **Easier Gains**

**T**HOSE WHO BOUGHT municipal bonds in the last four months have had the pleasure of seeing their investments appreciate in price as well as succeed in their main objective of providing a generous tax-exempt yield. Lately though, yields have leveled somewhat as the number of new municipal issues being offered has increased.

The index of 20 representative 20-year municipal bonds compiled by the *Daily Bond Buyer* has seeped



from 3.55% in early October to 3.26% lately. Prices of bonds have of course moved up correspondingly.

The move began when a conviction started to spread among municipal market participants that the Democrats would: 1) be elected and 2) move in the direction of easier money. Now with the Federal Reserve Board retreat from its hotly disputed "bills only" policy and its purchase of some longer-term issues, a step has been taken towards easier money for longer obligations though short-term rates have been bolstered.

But while the municipal market tends to move with the market for Government and investment-grade corporate bonds, it has separate characteristics also. A particular one is the supply & demand for municipal issues. Thus even if yields of long-term bonds generally are moving strongly in one direction, a large change in the number of new municipal issues coming into the market could offset the move.

The two phenomena are often related—the lower interest rates go, the more states, cities and public authorities rush to take advantage of the market. The reverse also holds; higher rates bring fewer borrowers.

Right now, as could be expected, the calendar is crowding up somewhat. The *Bond Buyer's* tally for issues set for marketing in the next 30 days recently reached \$409,000,000 as against \$250,000,000 in early February. A \$100,000,000 New York State Power Authority issue marketed in late February was not counted because it was a negotiated rather than competitive sale.

The flow of new merchandise has also begun to crowd inventories a bit on dealers' shelves. This is shown by the climb to \$392,000,000 in bonds advertised in the daily *Blue List* against \$326,000,000 early in 1961.

A look at the municipal bond lineup shows a new long-term bond with Aaa rating and a good name selling around 3.35% as against 3.55% last October, an Aa bond for 3.45% *v* 3.65%, an A bond for 3.60% *v* 3.85% and a Baa for 3.75% *v* 4.00%. But where heavy supplies have built up in otherwise highly rated bonds, some yields tend to be a bit higher.

## STEEL Lukens Mixture

**J**UST BACK from a week's vacation in Mexico and looking refreshed, president Charles Lukens Huston of Lukens Steel Company said: "We have the right product mix now, but we'd like to have a few more orders. If you have any in your pocket, hand them over."

The "right mix" for the \$86,000,000-assets specialty steelmaker is two-thirds specialty steels and one-third carbon steels. The Coatesville, Pa company lists among its specialties armor plate, clad steels ("they're steel sandwiches—high-strength light alloys pressed against either side of more inexpensive backing"), alloys and such dizzying products as pressed & spun heads (for chemical tanks), nine-nickel steel and T-1 clad. The carbon steels are plates and Lukens can make some of the biggest in the business.

The entire Lukens operation is

confined to the 14,000-population town of Coatesville on the Lincoln Highway about 35 miles west of Philadelphia. Chuck Huston explains: "Back in the Twenties a decision had to be made. Instead of combining with other companies or being absorbed, Lukens chose to go it alone in the plate end of the business. We're a cold metal shop—we have no mines or blast furnaces." Instead Lukens buys pig iron and scrap, turns them into steel in its open hearth furnaces and its brand new electric arc furnace and rolls the resulting ingots into the multiplex shapes the customers want.

Principal customers for Lukens now are the "processing industries" like oil, chemicals, petrochemicals, heavy electrical equipment—the ones from whom Chuck Huston would like "a few more orders." Says he: "They are filling their day-to-day requirements. But they are not building right now for a sustained improvement in their own picture." He adds: "We do not yet see signs of a pick-up. There is some hope there may be, but our customers haven't experienced it yet."

In keeping with industry-wide reluctance, Chuck Huston does not give a figure for Lukens' current operating rate but he does say the company is operating ahead of its 1957-59 average capacity. This capacity was around 800,000 ingot tons a year. Lukens capacity now, aided by a \$40,000,000 expansion program, is 925,000 tons a year.

Translated to sales for the year, this outlook shapes up as "about the same as 1960 or maybe a little

better." He adds: "I think we're all a little chary on prognosticating—almost anything anybody said at the beginning of 1960 turned out to be cockeyed as all getout."

Last year Lukens sales came to a respectable \$103,000,000. Naturally hindered by the recession, this volume compares with \$83,100,000 during strike-afflicted 1959 and with \$130,500,000 during Lukens' vintage year of 1957.

On profits Chuck Huston makes no predictions at all. "We don't know what the mix will be" as the year progresses. In 1960 Lukens reported earnings of \$4,950,000 or \$5.19 on its 954,000 common shares. For the previous year the company listed net profits of \$2,600,000 or \$2.72 a share, not counting a special credit of \$1,590,000 or \$1.67 a share for adjustments. While well ahead of 1959 operating earnings in any case, the 1960 figure does however include a special credit from unused reserves.

Chuck Huston explains the company in the last three years has been shifting its method of cost accounting from an "actual cost" system which required setting aside a good deal of money in reserve accounts to handle fluctuations to a "predetermined unit cost system," which "sends up red flags immediately and gives us a much better idea of the current picture." In the process Lukens has been "cleaning up some 60 reserve accounts" for which they have no further use. While accountants felt good practice did not require an explanation of how much of 1960 earnings came



from these reserves, Chuck Huston says it was about 20% of the \$4,500,000 reported.

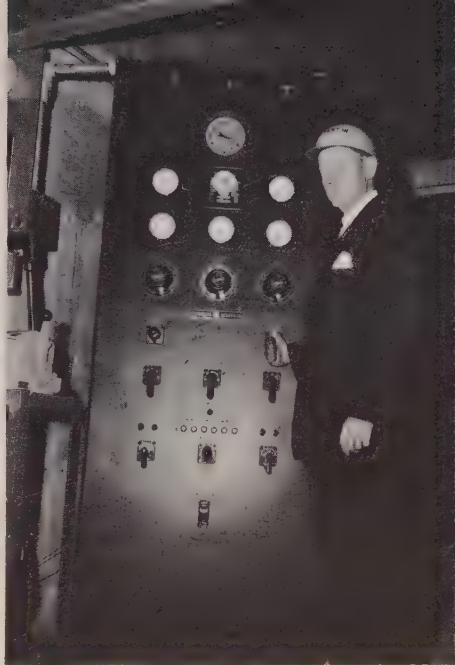
In its recent capital equipment program, Lukens added a brand new 100-ton electric arc furnace which increases its ingot capacity by almost 25% and a new mill capable of rolling slabs 140 inches wide. The latter supplements a 206-inch mill—biggest in the US—and an older 140-inch mill.

Of the \$40,000,000 or so borrowed for these improvements—most of it in a loan from customers, with payback based on the amount of steel bought—Lukens has reduced its debt to around \$19,000,000. It paid off \$7,000,000 in the past year.

In its specialties Lukens has constantly been "scratching around to find new ones;" just recently it announced it can make plastic clad steel plates. The plates are dipped in heated, viscous polyvinyl chloride plastic. When cooled the plates can be bent and shaped for many uses. A prime use: to prevent corrosion in chemical tanks—including those for sea water de-salting.

Family-owned for most of its 60 years, Lukens Steel now presents a balance between family interest and public participation. Charles Lukens Huston, whose grandfather Charles Lukens married the daughter of founder Isaac Pennington, is president. Older brother Stewart, who is a vp and secretary, and sister Ruth, who is active in charities, are on the board. The family owns 38% of the shares.

On the other hand the remainder of the management and board come



**Lukens' Huston starts a furnace**

from outside the family. And there are some 3,500 public stockholders. The stock is traded on the Big Board and because of the small number of available shares is subject to wide fluctuations. In 1957 when company results far exceeded expectations (largely because of steel plates for the Suez tanker-building boom) the shares rocketed to 122 $\frac{5}{8}$  from 45 $\frac{3}{4}$  in 3 $\frac{1}{2}$  months; this included one 48-point rise in 24 days. Since then they have dipped fractionally below 50, currently trade around 72. Lukens stock was last split in 1957 when a 3-for-1 break-up was ordered. Stewart Huston says any further move requires unmistakable signs the company will be able to show increased profits to justify the increased shares.

# High Purity Opens New Metal Worlds

Many Exotic Elements and  
Some Familiar Workhorses  
Get Fancy New Personality

**A** HUNDRED yards from American Smelting & Refining's Baltimore copper refinery is a man-made mountain of mud and sludge. A little over two years ago this heap of copper refinery waste was economically worthless. Today if refined to a high-purity state it would be valued at over \$15,000,000. Reason: the mound contains quantities of tellurium, a promising element for space age and electronic use.

Discovered in 1782, tellurium has long been available as a by-product of copper and lead refining. But only in 1957 was the metal available in a high-purity state and its unique characteristics of heat and electrical generation discovered.

A parallel story can be told of many metals. Metallurgists are finding many familiar (arsenic, bismuth, copper, silver) as well as rare metals (antimony, indium, molybdenum, tungsten) when refined to a pure state take on properties not normally present in less pure or standard commercial forms. Thus metallurgy has entered a fascinating new field of study where commonly held concepts are being rapidly replaced and metals with long-established roles are taking on unheard-of uses.

This new science of high-purity metallurgy employs some of the most advanced chemical and electrochemical techniques known. Only in the last few years have methods of refining, molding and fabricating

high-purity metals been developed.

One of the leaders in research technology and production is American Smelting & Refining (Asarco) which in 1954 produced only two high-purity metals, lead and copper (output is of course minute compared with Asarco's regular lead and copper refining). Today the company makes fifteen 99.999% pure elements including gold, silver, cadmium, indium, tellurium, thallium and zinc. Other leading high-purity metal producers include Consolidated Mining & Smelting of Montreal; Canadian Copper Refiners division of Noranda Mines; Indium Corp of America (only indium) and Kawecki Chemical of Boyertown, Pa.

## Electronics Boost

One area of prime high-purity metals research is electronics. If minute electronic components are made of high-purity metals like bismuth and antimony, the components can operate at greater speeds and versatility than those components made of semiconductor materials such as silicon and germanium. Actually bismuth and antimony are "semimetals." They differ from metals and semiconductors in their manner of conducting electricity. Metals conduct only by electrons; semimetals as well as semiconductors by both electrons (negative carriers) and by positive carriers called "holes." Semimetals have a higher energy level than semiconductors; the energy levels of the electrons and "holes" actually overlap. Work in semimetals is still



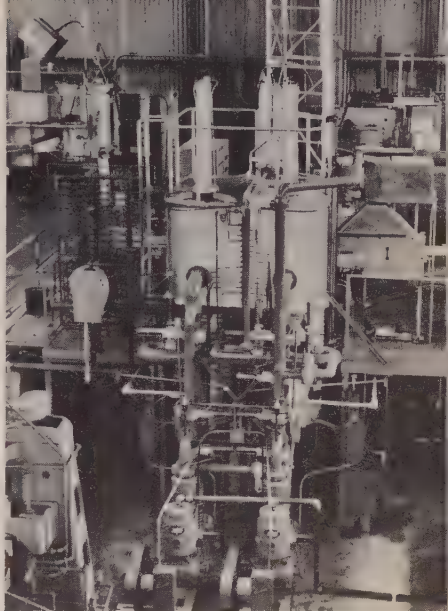
in the basic and theoretical experimental stage but Dr Benjamin Fax of MIT reports: "Important applications are seen for communications systems, radar and computers."

A more immediate application of present technology is the use of high-purity intermetallic compounds such as indium arsenide, gallium arsenide and indium phosphide to make electronic components. Also high-purity silicon crystals are "doped" with specific minute particles of high-purity arsenic; as a result the behavior of the silicon electrons can be calculated and controlled.

### Missile Makers

Besides increasing electronic speed and power, high-purity metals research has aided missile fuel developments. The addition of high-purity aluminum to the solid fuel of the Polaris increases the missile's range about 20%. In smaller missiles the addition of certain powdered metals yields even greater range gains.

Other high-purity metals specifically tailored for space age use are columbium, molybdenum, tantalum and tungsten. These metals have melting points in excess of 3,600° F and their alloys are being adapted for use as structural materials, nose cones and outer skins for missiles and space vehicles to withstand extreme pressure, heat and corrosion. Example: the X-15 rocket plane's outer surface is covered with Inconel-X, an alloy which contains columbium. This July substantial production of columbium in North America will start to get under way at



**Stauffer electron-beam furnace**

St Lawrence Columbium & Metals Corp. Its \$2,000,000 refinery is located in Oka, Quebec, 35 miles north of Montreal.

One of the most promising metals with space-age potential is beryllium (IR, January 4). The metal is extremely light and stiff but offers very good thermal protection. While it is brittle at normal temperatures it can be made malleable by high-purity techniques such as electron beam refining (see picture above), and experts indicate the first man-carrying space vehicle will use a substantial amount of beryllium.

### Research Boom

But the biggest boost to high-purity metals growth has been the burgeoning of thermoelectrics. When electricity is passed through most metals, they become warm (the basis of all resistance heaters). But

## SOME METALS FOR THE SPACE & ELECTRONICS AGE

Metal	Chief Producers	Major Uses
Antimony	National Lead, Am Smelting & Refining, Sunshine Mining, Harshaw Chemical	Corrosion inhibitor in lead storage battery plates, bearings and special alloys
Arsenic	Am Smelting & Refining, Anaconda, US Smelting & Refining	Insecticides, "doping" semiconductors, thermoelectric application
Beryllium	Beryllium Corp of Amer, Brush Beryllium	AEC, aircraft, missiles, space vehicles, beryllium copper alloys
Bismuth	Am Smelting & Refining, Anaconda, US Smelting & Refining, Cerro Corp, Am Metal Climax	Alloys for metal working, to increase machinability in iron and aluminum castings, indigestion remedy, catalyst in production of plastics, prime material for thermoelectric devices
Cadmium	Am Smelting & Refining, Am Metal Climax, Bunker Hill, Am Zinc, Lead & Smelting, Anaconda, St Joseph Lead	Electroplating, pigments & chemicals, alloys, storage batteries
Columbium	Union Carbide, Fansteel Metallurgical, duPont, Wah Chang, Kennametal, Kawecki Chemical, Molybdenum Corp	Nuclear, aircraft, space prototypes & equipment
Germanium	Am Metal Climax, Am Zinc, Eagle-Picher, Sylvania	Electronic devices
Hafnium	Wah Chang, Carborundum Metals, Columbia National, Mallory-Sharon Metals, Foote Mineral	Neutron absorber for controlling nuclear reactors
Indium	Indium Corp, Am Smelting & Refining, Anaconda, Consolidated Mining & Smelting	Semiconductor devices, bearings & special alloys
Molybdenum	American Metal Climax, Kennecott Copper, Molybdenum Corp	90% in iron & steel alloys, cast iron, high strength alloys
Selenium	Am Smelting & Refining, Allied Chemical, Am Metal Climax, International Smelting & Refining, Kawecki Chemical, Kennecott Copper	90% rectifiers and photoelectric cells
Silicon (high purity)	duPont, Texas Instruments, Sylvania, Eagle-Picher, Merck, International Metalloids	Electronics (semiconductors—diodes, rectifiers and transistors), optics
Tantalum	Fansteel Metallurgical, Union Carbide, Kawecki Chemical, Kennametal, Wah Chang	Capacitors, rectifiers, high temperature alloys, process equipment
Tellurium	Am Smelting & Refining, Anaconda, Am Metal Climax, Canadian Copper Refineries, US Smelting & Refining, Phelps Dodge, International Smelting & Refining	Compounds one of most promising thermoelectric materials, metallurgy, ceramics, rubber
Titanium	duPont, Mallory-Sharon Metals, Titanium Metals Corp of Am, Union Carbide	Airframes and jet engines
Tungsten	General Electric, Sylvania, Union Carbide, Molybdenum Corp, Kennametal, Firth Sterling, Am Metal Climax	Alloy and tool steels, high temperature alloys, carbides, chemicals, electronics



pass an electric current through dissimilar metals and the junction between these metals becomes a heat sink (pocket) or heat source depending on the direction of the current. Thermoelectricity is simply the conversion of electricity into heat (or heat into electricity) with no intermediate moving parts. By reversing the flow of current, direct cooling is achieved instead of heat.

This phenomenon was first observed 125 years ago by the German physicist Thomas Seebeck (see IR, January 4 for General Instrument's use of "Seebeck Effect") and was used to develop the familiar thermocouple for measuring temperature. The first thermoelectric materials had an electric effect too low for power application but advances in solid state physics resulting from work on semiconductors have led to more effective thermoelectric materials.

Two of the metals which look most promising are bismuth and tellurium. When tellurium is combined 50-60 with bismuth the resulting bismuth telluride alloy is one of the best materials known for thermoelectric cooling. Thus there is a vast potential for no-moving-parts refrigeration.

Bismuth like tellurium has been known since the eighteenth century. Its biggest use has been in drug solutions to relieve indigestion or ulcers. But with the advent of thermoelectrics, bismuth has experienced substantial new demand. Last year US consumption reached 1,500,000 pounds, up from 1,400,000 in 1959. Most bismuth is recovered

as a by-product of lead refining by Asarco (world's largest producer), Anaconda (which mines only) and US Smelting.

Other metals being groomed for new thermoelectric roles are antimony, arsenic, lead, selenium and silver.

### Metals Mettle

So far the only major commercial uses for thermoelectric devices have been temperature measurement (home heating system thermostats) and safety controls (such as those used on domestic gas hot water heaters). But more consumer products are on the griddle. Lone Star Gas has a prototype bathroom heater fan which works on thermoelectricity generated from waste heat but manufacturing costs (\$50) make the fan uneconomical. General Instrument markets a 5-watt thermoelectric generator (enough power to run an electric clock). But it retails for \$500. In January Westinghouse delivered the first 100-watt industrial thermoelectric power generator to Northern Illinois Gas Company in Aurora.

Westinghouse and General Electric have prototype model thermoelectric no-moving-parts refrigerators. Last week the Norge Division of Borg-Warner announced the sale of 500 noiseless thermoelectric refrigerator-freezers for the new Sheraton-Chicago Hotel. Norge chairman Judson Sayre noted: "This is the first commercial use of a thermoelectric refrigeration system." Cost for a one-half cubic foot capacity unit: \$200.

Westinghouse together with RCA has also developed prototype domes-

tic wall panel cooling, heating and lighting units.

Next month RCA will market miniature electronic components made of high-purity tantalum which will have wide application in space vehicles, data processing and communications. A company spokesman reports: "These solid miniature tantalum capacitors are flat and rectangular in shape and stand on edge—in a given area six times as many new capacitors can be stacked as standard models."

### **Russian Devices**

But in the way of practical devices the Russians are ahead. Back in 1931 Russian physicist Abram Joffe rediscovered thermoelectric power and by War II he and his associates were producing small generators for Red Army field radio transmitters. These generators have since been adapted for mounting on the chimneys of kerosene lamps to produce power for small radio receivers in remote rural regions. The generators have been widely distributed in northern Russia and parts of Siberia. The Russian devices have even entered the Western Hemisphere, sell for \$45 in Mexico.

In the military field where cost is no barrier, thermoelectric developments are moving at a faster pace. Several thermoelectric power systems have been constructed. Among the best known are SNAP (Space Nuclear Auxiliary Power) generators, 5-pound, 5-watt instruments developed jointly by Martin and Minnesota Mining & Manufacturing. Last May Westinghouse delivered a 5,000-watt generator to

the Navy for the highest thermoelectric power output yet. The Westinghouse generator has no moving parts, delivers enough electricity to light eight-to-ten homes simultaneously. RCA also has made solar satellite batteries which use gallium arsenide to convert solar energy into electricity.

Whirlpool Corp has developed a no-moving-parts cooling device for infrared detector cells in homing missiles. General Instrument and Whirlpool are working on separate projects for cooling subs and space craft.

The chief disadvantage of all thermoelectric devices to date is their inefficient conversion of heat into electric power (top efficiency is around 15% compared with 25-to-30% for the standard auto engine). Another major problem is high materials cost. However a multi-million dollar thermoelectric research & development program now underway hopes to make thermoelectrics competitive with standard power sources. Uncle Sam will pay for most of the research effort.

In the not too distant future this research should pay off. Westinghouse's Dr John Kelly states: "It is reasonable that by 1970 these thermoelectric applications may be realized: domestic refrigeration; heat pumping (replacing vapor compression systems); and power generation of millions of watts for use by utility companies, propulsion of ships and to power a wide variety of industrial machines where high current, low voltage, direct current would be useful."



# PRODUCTION PERSONALITIES

## PAPER

### Non-Family Man Tries His Mettle On Champion Challenge

**E**XACTLY one year in office this week, the president and chief executive officer of Champion Paper Fibre Company is a guy who likes challenges. His many-faceted career evidences this. Karl Robin Bendetsen has been successively lawyer, army officer, Government official, industry executive.

After receiving his BA (1929) and LLB (1932) from Stanford he went into law practice in hometown Aberdeen, Wash. He has since become a member of the California and Oregon bar. From 1940-46 he served in the Army. He left as a full colonel, a rank he still holds in the reserves. In 1948 he served five months as special assistant to Secretary of Defense James Forrestal, after which he returned to law practice in San Francisco. He became Assistant Secretary of the Army in 1950 and Undersecretary in 1952. In 1956 he served Ike on special missions to West Germany and the Philippines.

Late in 1952 Karl Bendetsen took his varied background to Champion. In 1954 he was made general manager of the company's Texas division; in 1955 vice president. Two years later he was placed in charge of all pulp and paper manufacturing. When president Reuben B Robertson Jr (81-year-old Reuben Sr is still honorary chairman) was killed in an auto accident

a year ago, Bendetsen was named to the job and to a seat on the board.

The company he now heads was founded back in 1893 by Cincinnati book publisher Peter Thomson. Today \$200,000,000-assets Champion is one of the largest integrated paper & pulp producers in the US. The three mills at Hamilton, Ohio (also company headquarters), Canton, NC and Pasadena, Texas have a combined capacity of 650,000 tons of pulp and 720,000 tons of paper & board a year.

Through joint ownership (with Diamond National) of Dairypak Butler, Champion has a big stake in food packaging, particularly milk cartons which Dairypak manufactures under a license from Excell-O Corp. Dairypak consumes about 50% of Champion's food-board output.

### Valuable Timber

As for raw materials, Champion supplies its mills in part (up to 40%) through its own 620,000 acres of timberland plus cutting rights to 100,000 more. The timber properties are carried on Champion's books at \$12,000,000 but are worth far more.

Internationally Champion exports 4% of sales and licenses foreign manufacturers. It also supplies the Brazilian market with bleached kraft pulp through a recently completed 150-ton-a-day mill at Sao Paulo.

Until Karl Bendetsen took the helm last year Champion had always been run by a member of the Thomson family. Reuben Robertson Jr was a grandson of founder Thom-



**Champion booster Bendetsen**

son. His father, the previous president, was Peter Thomson's son-in-law.

Family interest and influence are still large. Board chairman is Dwight J Thomson. Also on the board are Dr Logan T Robertson (Reuben Sr's other son), assistant to the president Lewis Clark Thomson and Herbert T Randall, a former vice president and also a member of the Thomson family. All told the family controls over 40% of Champion common.

In his new job Karl Bendetsen is facing plenty of challenges. Both the industry and Champion have been going through some pretty lean years. With uncoated papers currently about 20% overproduced and coated papers "getting there now," the main problem is overcapacity. Speaking for both his industry and his company Karl Bendetsen

remarks: "We are standing knee-deep in a wheatfield. For the past 75 years we have been a growth industry. In not over twelve of those years until the last two have we had anything but a seller's market." Moreover today's overcapacity "is not because of underdemand" and will not be remedied merely by an upturn in the general economy. Says paperman Bendetsen: "We are in a new era now and we don't have a price increase to look to."

The toll on Champion has been heavy. From their peak of \$14,280,000 or \$3.14 a share in the year ended March 1957, profits fell to \$7,680,000 (\$1.64) in just two short years. They recovered somewhat for the March 1960 year to \$1.98 a share. For the current fiscal year which ends this month Karl Bendetsen says "we'll be lucky if we earn anything over the dividend [\$1.20]." For the nine months through December profits stood at \$1.03 v \$1.43. While earnings slipped, sales remained around fiscal 1956/7's \$168,000,000 level for three years, then jumped to \$195,000,000 in the March 1960 year thanks largely to a new machine (a paper "machine" is a massive installation which may cost over \$5,000,000 and turn out 300 tons of paper a day). So far in the current fiscal year, volume is up another 7%. However the Champion sales growth trend has been below the industry average in the past five years.

The effects of the profits squeeze are evident in the action of Champion common. The 4,700,000 shares outstanding hit a postwar peak of

45 in 1956, fell off to a 38-31 range the following year. As profits improved in fiscal 1959/60 the stock climbed to an alltime high of 51 but with the current year's disappointing results fell to 24, the lowest since 1955. Buoyed by the recent strong market it now trades around 33.

While industry overcapacity can be blamed for part of Champion's woes there was also a lot of excess fat in the company. Karl Bendetsen admits: "The causes for our low earnings have been in being for a long time."

With this in mind the 53-year-old president who describes himself as "a professional planner, not a paper-maker" is currently leading Champion through a "reorientation in business planning." He remarks: "This is a healthy time for us to get lean and hard, to get down to the kind of organization we ought to have." Instead of "building on the expectation of increased volume," Champion people are being trained "to think in terms of profits planning." The new program extends to all phases of Champion, includes operations research, market research, cost analyses.

First step was just plain cost cutting. For example Champion is saving an estimated \$500,000 a year by eliminating its fleet of company planes. Remarks Army Colonel Bendetsen: "We mustered out the Air Force completely. Now we charter whenever we need to." Most company cars also went the way of cavalry horses. There are none today other than a few for use in the

company's forest operations "where they are necessary." Also cut was the company's representation at paper conventions. At last month's "Paper Week" sales meeting in Manhattan "we had just about half the people we had last year."

A big saving came in inventories. By "being more specific and accurate on our runs," cost controller Bendetsen estimates "we should save around one and a quarter million a year in normal times, about three quarters of a million in these times."

### Job Surveys

Champion management also carefully surveyed every job, both line and staff, within the company. As a result by the end of this fiscal year "we will be operating with about 1,200 fewer people than at the end of last year." This is out of a total work force of 11,000 last year.

Another part of the Bendetsen plan is a strict product analysis. Says planner Bendetsen: "We manufactured 96 different grades of paper but we found that 20% of them provided 80% of our earnings." So Champion has been weeding out many of its unprofitable lines. To keep his distributors happy however, Karl Bendetsen has asked other paper manufacturers to take over the supply of certain grades it drops. He notes the other maker may be set up to handle the line profitably. This is an entirely new concept for the paper industry and one which planner Bendetsen thinks may ultimately help solve some of the industry's overcapacity problems.

Some specialty items have been



dropped too. One is the Vaculite line of metallized papers, a joint development with National Research Corp of Cambridge, Mass. "It was pretty but it had to compete with foil and it offers practically nothing that foil doesn't. We lost \$2,500,000 at least on it, not to mention the cost we would have incurred in trying to operate it."

One specialty product which experimenter Bendetsen feels has great promise is Thermokup, a foam plastic cup with unique insulating qualities. It has been completely redesigned and reprogrammed, will be on the market by July.

The Champion program is not entirely internal. Says Karl Bendetsen: "After we decided what improvements were needed inside we figured out what else we needed to improve our earnings." The something else turned out to be Carpenter Paper Company of Omaha, one of the largest paper merchants in the US. The engagement was announced in mid-December and stockholders of both companies vote next week on the merger which calls for an exchange of 1.825 shares of Champion for each share of Carpenter. This means Champion will issue approximately 1,280,000 shares currently worth more than \$42,000,000.

Carpenter's widespread wholesale distribution system consists of paper merchant houses in 26 Midwest, Southwest and Western states. It also has an envelope business (10% of its \$100,000,000 sales). Champion first went into envelopes last year with the acquisition of Buffalo Envelope Company and Montag Inc.

While Carpenter which last year earned an estimated \$3.50 a share will bring higher profit margins, Champion's inside program will not stop. Says Karl Bendetsen: "By the end of this year our savings rate will be around \$10,000,000 annually and we can do significantly more." His objective: to learn to be strong with overcapacity. "We should be able to make a satisfactory return with only 80% of capacity." He has a way to go. Champion currently operates at about 88% of capacity.

While Champion still needs lots of work on its problems, one immediate bright note is the new Brazilian pulp mill. It started only 13 months ago and "was producing good quality by mid-Summer which is unusual for a paper mill." And contrary to popular opinion that the mill will prove a drain on Champion earnings, president Bendetsen proudly notes "we were in the black by November."

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## REPUBLIC TUNNEL

Diversification has been the theme of many an aircraft company in recent years. One of the most popular lines is electronics. One company treading this path is Republic Aviation which has just announced some successful experimental models of a thin-film tunnel diode.

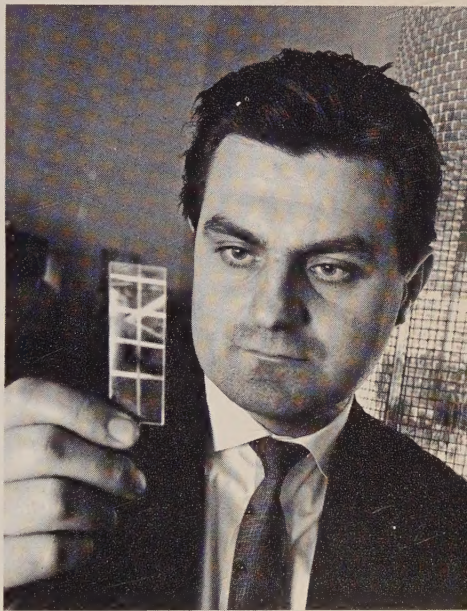
The company emphasizes "a great deal of work still remains to be done, particularly to achieve a higher degree of reliability in the production of thin-film devices." But it also says its new techniques could mean portable computers would replace current room-sized units and navigational computers for aircraft and satellites would be no larger than a pocket-sized radio. It could eliminate the need for putting transistors into printed circuits.

The key feature which Republic claims distinguishes its tunnel diode from others is it does not require any special supercooling. Republic asserts previous versions require temperatures near liquid helium (about 450° F below zero) to be superconductive.

Discoverers Franz Huber (right) and Joseph Bloxson of Republic explain they achieved their thin-film sandwich by capturing titanium vapor on a strip of glass to form a dielectric (non-conducting) coating or film. They came up with a special oxidation technique which deposits a film less than one-millionth of an inch thick. Electrons have the ability to pierce or "tunnel" through the thin oxide film.

At this stage of course such electronics work is all but drowned out by the roar of F-105 Thunderjets in Republic's profits pattern. The only company now producing a manned Air Force fighter plane in volume, Republic has a full line in the US budget all to itself: \$397,000,000. Now on a profitable fixed price basis, F-105 production enabled Republic to net \$4,653,000 or \$3.25 a share last year v \$2.37 a share in 1959. And if present military plans continue in force F-105 production is due to run into 1965.

These results so moved Republic's directors that they doubled the company's dividend to 50¢ for the first quarter. The stock responded by climbing to its 1960-61 peak of 37 5/8 near which it currently trades.



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# THE THREE R'S OF INVESTING

If we had to name them, we'd probably say that the three R's of investing are *Readiness*, *Research*, and *Realism*. Here's what we mean.

*Readiness* is deciding to do something about protecting the purchasing power of your dollars from inflation. It's being willing to assume a measure of risk to protect your surplus funds. It's being sure before you invest that you can afford to do so—that you have money for everyday expenses, a fund for emergencies, and adequate insurance coverage.

*Research* means investigating before you invest—and after you invest; deciding where to put your money to work on the basis of facts and figures rather than tips and fancies; and then watching the performance of your holdings regularly.

*Realism* means keeping your hopes within reason instead of expecting to get rich overnight, realizing that stocks go down as well as up, and being willing to revise your judgment—and your portfolio—whenever a stock proves disappointing.

If mastering these three R's sounds like a tall order to you, why not come to us for help? If you have readiness and realism, we'll give you a hand with the necessary research—help you choose stocks to suit your circumstances, supply you with information about companies that interest you whenever you ask.

In fact, may we suggest a fourth R, which stands for Reputable Broker? We're at your service any time you say the word.

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